

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

In the Matter of)
)
The National Exchange Carrier)
Association Inc. Proposed)
Revisions to Part 69 of the) RM-8389
Commission's Rules to Allow)
for Incentive Settlement)
Options for NECA Pool Cos.)

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Comments of General Communication, Inc.

General Communication, Inc. (GCI) submits its comments in response to the Supplemental Comments filed by the National Exchange Carrier Association, Inc. (NECA).¹ NECA proposes a "Customer Dividend Option" plan that will allow NECA member companies to benefit from incentive regulation while maintaining their membership in the NECA pools. NECA member companies who choose this plan would receive a settlement rate based on the carrier's historical costs minus a dividend factor of 0.65%. The rate would be adjusted bi-annually. NECA companies would be required to stay with this plan for two 2 year terms. Carriers would continue to charge the NECA average rates, but receive monies based on their fixed settlement rate. They would not be guaranteed a rate of return.

GCI sees several problems with the plan as proposed. First, NECA proposes a dividend factor of 0.65%. This was derived by taking half the difference between the highest (5.3%) and lowest (4.0%) productivity factor for Tier 1 price cap LECs. This is

¹Supplemental Comments of NECA, RM-8389, filed May 15, 1994.

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not tied in any way to the productivity factor of the NECA member companies. To determine a proper productivity factor, the Commission must analyze these carriers costs and base a productivity factor on that information. Taking half the difference between the productivity factors for larger companies is completely arbitrary.

NECA further states that these carriers will have to absorb inflation costs. NECA assumes an inflation rate of 3.0 percent - an average over the past three years. The Commission should evaluate all relevant data to determine the proper period to base its considerations on and to determine that number - not just arbitrarily take an average over the past three years. This methodology does not ensure that the incentive plan is properly structured for both the companies and customers.

GCI is also concerned about the ability of the companies to switch back and forth from the incentive regulation plan to a guaranteed rate of return environment. The Commission should determine if the carriers should be required to stay with the incentive plan for a longer or shorter period of time.

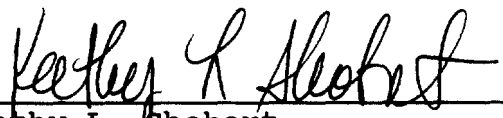
GCI is also concerned that the settlement rate for the first period will be based on the carrier's costs over the last 12 months. There is no proof that the carrier's costs over the past 12 months are representative. The carrier could have dramatically increased its expenses over the last 12 months. Alternatively, it could have been a year with low expenses. Carriers choosing incentive regulation could manipulate their

costs to have a high expense year prior to adopting incentive regulation. The Commission should develop a representative process so that the costs would be typical for these carriers. This is the only way to make incentive regulation fair for all companies in the pool.

The Commission must collect the necessary information to determine the correct factors for incentive regulation for NECA companies. This should include evaluation of the correct productivity factor and the correct cost basis for reimbursement.

Respectfully submitted,

GENERAL COMMUNICATION, INC.


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June 19, 1995

STATEMENT OF VERIFICATION

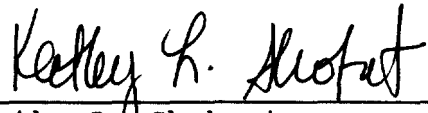
I have read the foregoing and to the best of my knowledge, information and belief there is good ground to support it and that it is not interposed for delay. I verify under penalty of perjury that the foregoing is true and correct. Executed June 19, 1995.

A handwritten signature in cursive script, reading "Kathy L. Shobert", positioned above a horizontal line.

Kathy L. Shobert
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CERTIFICATE OF SERVICE

I hereby certify that on this 19th day of June, 1995, the foregoing was mailed postage prepaid to the parties listed below.



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